



State of New Jersey  
CASINO CONTROL COMMISSION  
Tennessee Avenue and Boardwalk  
Atlantic City NJ 08401

JAMES E. MCGREEVEY  
*Governor*

August 19, 2002

MICHAEL A. PEDORKO  
*Acting Chairman*  
WILLIAM J. SOMMELING  
MICHAEL C. EPPS  
*Commissioners*

(609) 441-3422

Dear Subscriber,

Enclosed are the New Jersey Casino Industry Quarterly Reports for the quarter ended June 30, 2002.

If you have any questions, please contact me or Public Information Officer Gloria Ford at (609) 441-3749. You can also contact us by e-mail at either [dheneghan@ccc.state.nj.us](mailto:dheneghan@ccc.state.nj.us) or [gford@ccc.state.nj.us](mailto:gford@ccc.state.nj.us).

Sincerely,

A handwritten signature in cursive script that reads "Daniel Heneghan".

Daniel Heneghan  
Director of Communications

Encl.

**ATLANTIC CITY CASINO INDUSTRY  
STATEMENT OF INCOME STATISTICS  
FOR THE QUARTER ENDED JUNE 30, 2002 AND 2001**  
(\$ in Thousands)

	<u>Net Revenue</u>		Fav (Unfav) Var %	<u>Gross Operating Profit</u>		Fav (Unfav) Var %	<u>Net Income</u>		Fav (Unfav) Var %
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>	
AC Hilton	\$ 76,554	\$ 79,039	(3.1)	\$ 19,449	\$ 21,543	(9.7)	\$ 3,894	\$ 4,782	(18.6)
Bally's Park Place	136,587	133,738	2.1	49,051	45,559	7.7	17,889	16,931	5.7
Caesars	130,298	116,320	12.0	42,618	37,624	13.3	9,183	6,772	35.6
Claridge (CHCC) *	-	29,852	N/A	-	2,894	N/A	-	(265)	N/A
Claridge (PPE)	38,053	12,061	N/A	4,203	1,013	N/A	445	(28)	N/A
Harrah's	107,794	99,576	8.3	45,658	40,470	12.8	30,048	17,965	67.3
Resorts	66,519	62,377	6.6	11,289	9,537	18.4	2,761	2,755	0.2
Sands	49,582	56,888	(12.8)	5,766	6,765	(14.8)	(1,300)	493	N/A
Showboat	85,901	84,166	2.1	30,347	25,921	17.1	10,922	(3,271)	N/A
Tropicana	113,273	113,874	(0.5)	30,144	31,353	(3.9)	1,977	1,262	56.7
Trump Marina	69,096	61,791	11.8	18,217	11,867	53.5	(5,677)	(8,623)	34.2
Trump Plaza	82,227	78,276	5.0	20,285	14,524	39.7	1,681	(3,699)	N/A
Trump Taj Mahal	130,773	130,390	0.3	38,345	36,151	6.1	2,256	2,488	(9.3)
Industry	<u>\$ 1,086,657</u>	<u>\$ 1,058,348</u>	2.7	<u>\$ 315,372</u>	<u>\$ 285,221</u>	10.6	<u>\$ 74,079</u>	<u>\$ 37,562</u>	97.2

\* CHCC does not exist in 2002.

**ATLANTIC CITY CASINO INDUSTRY  
STATEMENT OF INCOME STATISTICS  
FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001**  
(\$ in Thousands)

	Net Revenue		Fav (Unfav) Var %	Gross Operating Profit		Fav (Unfav) Var %	Net Income		Fav (Unfav) Var %
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>	
AC Hilton	\$ 144,167	\$ 147,161	(2.0)	\$ 31,799	\$ 33,334	(4.6)	\$ 3,794	\$ 4,083	(7.1)
Bally's Park Place	263,964	256,003	3.1	88,684	80,509	10.2	25,603	22,572	13.4
Caesars	254,699	228,451	11.5	82,756	70,994	16.6	17,119	11,542	48.3
Claridge (CHCC) *	-	70,623	N/A	-	6,009	N/A	-	(1,479)	N/A
Claridge (PPE)	72,832	12,061	N/A	6,821	1,013	N/A	150	(28)	N/A
Harrah's	201,132	192,133	4.7	83,240	75,373	10.4	36,221	28,438	27.4
Resorts	127,838	117,956	8.4	18,709	14,101	32.7	2,743	(2,755)	N/A
Sands	102,826	105,489	(2.5)	15,017	7,724	94.4	847	(2,857)	N/A
Showboat	164,396	155,800	5.5	54,278	45,529	19.2	1,862	(12,550)	N/A
Tropicana	222,852	221,677	0.5	57,968	55,336	4.8	54	(1,096)	N/A
Trump Marina	132,898	120,139	10.6	33,831	21,885	54.6	(12,789)	(19,217)	33.4
Trump Plaza	160,451	154,510	3.8	39,555	28,237	40.1	2,560	(8,087)	N/A
Trump Taj Mahal	258,066	247,111	4.4	73,521	60,689	21.1	3,281	(6,881)	N/A
Industry	<u>\$ 2,106,121</u>	<u>\$ 2,029,114</u>	3.8	<u>\$ 586,179</u>	<u>\$ 500,733</u>	17.1	<u>\$ 81,445</u>	<u>\$ 11,685</u>	N/A

\* CHCC does not exist in 2002.

**ATLANTIC CITY CASINO INDUSTRY  
STATEMENTS OF INCOME  
FOR THE QUARTER ENDED JUNE 30, 2002**  
(\$ in Thousands)

	AC Hilton	Bally's Park Place	Caesars	Claridge (PPE)	Harrah's	Resorts	Sands	Showboat	Tropicana	Trump Marina	Trump Plaza	Trump Taj Mahal	Industry
<b>REVENUE:</b>													
Casino	\$ 79,386	\$ 133,564	\$ 131,425	\$ 39,970	\$ 109,612	\$ 67,291	\$ 51,854	\$ 91,970	\$ 98,173	\$ 70,262	\$ 84,383	\$ 132,453	\$ 1,090,343
Rooms	6,652	10,404	9,068	2,999	8,568	3,409	3,049	4,235	12,545	4,691	6,501	8,946	81,067
Food and Beverage	10,315	18,859	18,712	4,838	12,999	6,362	5,752	12,218	13,094	8,116	9,257	14,064	134,586
Other	2,715	2,477	6,853	1,014	1,613	2,204	1,050	1,777	4,179	2,717	1,997	4,567	33,163
Total Revenue	99,068	165,304	166,058	48,821	132,792	79,266	61,705	110,200	127,991	85,786	102,138	160,030	1,339,159
Less: Promotional Allowances	22,514	28,717	35,760	10,768	24,998	12,747	12,123	24,299	14,718	16,690	19,911	29,257	252,502
<b>NET REVENUE</b>	<b>76,554</b>	<b>136,587</b>	<b>130,298</b>	<b>38,053</b>	<b>107,794</b>	<b>66,519</b>	<b>49,582</b>	<b>85,901</b>	<b>113,273</b>	<b>69,096</b>	<b>82,227</b>	<b>130,773</b>	<b>1,086,657</b>
<b>COSTS AND EXPENSES:</b>													
Cost of Goods and Services	45,847	73,145	69,724	27,568	51,422	37,237	33,622	46,539	59,781	38,595	45,688	71,305	600,473
Selling, General, and Administrative	10,779	13,959	16,696	6,162	10,617	17,631	9,598	8,784	22,803	11,444	15,396	20,337	164,206
Provision for Doubtful Accounts	479	432	1,260	120	97	362	596	231	545	840	858	786	6,606
Total Costs & Expenses	57,105	87,536	87,680	33,850	62,136	55,230	43,816	55,554	83,129	50,879	61,942	92,428	771,285
<b>GROSS OPERATING PROFIT</b>	<b>19,449</b>	<b>49,051</b>	<b>42,618</b>	<b>4,203</b>	<b>45,658</b>	<b>11,289</b>	<b>5,766</b>	<b>30,347</b>	<b>30,144</b>	<b>18,217</b>	<b>20,285</b>	<b>38,345</b>	<b>315,372</b>
Depreciation and Amortization	5,339	8,859	9,746	861	6,606	2,352	3,346	6,397	6,855	5,298	4,182	9,496	69,337
Charges from Affiliates Other than Interest:													
Management Fees	2,620	4,636	4,323	1,313	-	-	-	-	7,500	957	-	-	21,349
Other	-	-	1,579	-	(5,557)	-	-	(2,543)	-	994	1,000	1,852	(2,675)
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>11,490</b>	<b>35,556</b>	<b>26,970</b>	<b>2,029</b>	<b>44,609</b>	<b>8,937</b>	<b>2,420</b>	<b>26,493</b>	<b>15,789</b>	<b>10,968</b>	<b>15,103</b>	<b>26,997</b>	<b>227,361</b>
<b>OTHER INCOME (EXPENSES):</b>													
Interest (Expense) - Affiliates	(4,467)	(11,095)	(10,984)	(1,063)	-	(5,345)	(2,872)	(14,454)	(13,410)	(15,491)	(12,748)	(23,867)	(115,796)
Interest (Expense) - External	-	(63)	(96)	(2)	(13,000)	(24)	(81)	-	557	(349)	(367)	(227)	(13,652)
Invest. Alt. Tax & Related Income (Exp.)-Net	(555)	(1,553)	(486)	(266)	(842)	369	(275)	(1,270)	2,738	(282)	(405)	(724)	(3,551)
Nonoperating Income (Expense) - Net	120	4,582	113	56	181	597	(1,120)	153	(2,119)	(523)	98	77	2,215
Total Other Income (Expenses)	(4,902)	(8,129)	(11,453)	(1,275)	(13,661)	(4,403)	(4,348)	(15,571)	(12,234)	(16,645)	(13,422)	(24,741)	(130,784)
<b>Income(Loss) Before Taxes&amp;Extraordinary Items</b>	<b>6,588</b>	<b>27,427</b>	<b>15,517</b>	<b>754</b>	<b>30,948</b>	<b>4,534</b>	<b>(1,928)</b>	<b>10,922</b>	<b>3,555</b>	<b>(5,677)</b>	<b>1,681</b>	<b>2,256</b>	<b>96,577</b>
Provision (Credit) for Income Taxes	2,694	9,538	6,334	309	900	1,773	(628)	-	1,578	-	-	-	22,498
Income (Loss) Before Extraordinary Items	3,894	17,889	9,183	445	30,048	2,761	(1,300)	10,922	1,977	(5,677)	1,681	2,256	74,079
Extraordinary Items	-	-	-	-	-	-	-	-	-	-	-	-	-
(Net of Income Taxes)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCOME (LOSS)</b>	<b>\$ 3,894</b>	<b>\$ 17,889</b>	<b>\$ 9,183</b>	<b>\$ 445</b>	<b>\$ 30,048</b>	<b>\$ 2,761</b>	<b>\$ (1,300)</b>	<b>\$ 10,922</b>	<b>\$ 1,977</b>	<b>\$ (5,677)</b>	<b>\$ 1,681</b>	<b>\$ 2,256</b>	<b>\$ 74,079</b>

Certain totals may not foot due to rounding by the casino.

**ATLANTIC CITY CASINO INDUSTRY  
STATEMENTS OF INCOME  
FOR THE QUARTER ENDED JUNE 30, 2001  
(\$ in Thousands)**

	AC Hilton	Bally's Park Place	Caesars	Claridge (CHCC)	Claridge (PPE)	Harrah's	Resorts	Sands	Showboat	Tropicana	Trump Marina	Trump Plaza	Trump Taj Mahal	Industry
<b>REVENUE:</b>														
Casino	\$ 86,565	\$ 130,651	\$ 113,233	\$ 28,135	\$ 12,773	\$ 101,422	\$ 61,426	\$ 61,498	\$ 90,228	\$ 100,939	\$ 64,437	\$ 80,725	\$ 132,466	\$ 1,064,498
Rooms	6,310	9,857	9,929	1,924	1,077	7,088	3,573	3,046	3,463	11,855	4,559	6,371	8,879	77,931
Food and Beverage	10,371	18,782	16,851	3,130	1,461	11,622	6,374	7,824	11,172	12,188	7,760	10,085	13,727	131,347
Other	2,729	3,002	7,415	413	150	2,617	1,725	1,402	1,960	3,166	2,826	1,793	4,397	33,595
Total Revenue	105,975	162,292	147,428	33,602	15,461	122,749	73,098	73,770	106,823	128,148	79,582	98,974	159,469	1,307,371
Less: Promotional Allowances	26,936	28,554	31,108	3,750	3,400	23,173	10,721	16,882	22,657	14,274	17,791	20,698	29,079	249,023
<b>NET REVENUE</b>	<b>79,039</b>	<b>133,738</b>	<b>116,320</b>	<b>29,852</b>	<b>12,061</b>	<b>99,576</b>	<b>62,377</b>	<b>56,888</b>	<b>84,166</b>	<b>113,874</b>	<b>61,791</b>	<b>78,276</b>	<b>130,390</b>	<b>1,058,348</b>
<b>COSTS AND EXPENSES:</b>														
Cost of Goods and Services	46,223	73,356	65,188	17,575	8,819	49,479	36,276	38,236	51,127	58,013	39,191	47,046	71,946	602,475
Selling, General, and Administrative	10,731	13,850	12,589	9,256	2,188	9,627	16,351	10,916	6,926	23,729	10,405	15,723	21,490	163,781
Provision for Doubtful Accounts	542	973	919	127	41	-	213	971	192	779	328	983	803	6,871
Total Costs & Expenses	57,496	88,179	78,696	26,958	11,048	59,106	52,840	50,123	58,245	82,521	49,924	63,752	94,239	773,127
<b>GROSS OPERATING PROFIT</b>	<b>21,543</b>	<b>45,559</b>	<b>37,624</b>	<b>2,894</b>	<b>1,013</b>	<b>40,470</b>	<b>9,537</b>	<b>6,765</b>	<b>25,921</b>	<b>31,353</b>	<b>11,867</b>	<b>14,524</b>	<b>36,151</b>	<b>285,221</b>
Depreciation and Amortization	5,702	8,814	8,811	263	236	6,161	2,171	2,602	6,025	6,213	4,176	4,197	8,347	63,718
Charges from Affiliates Other than Interest:														
Management Fees	2,825	4,359	3,852	-	417	-	-	-	-	7,359	457	-	-	19,269
Other	-	-	1,549	53	-	7,277	-	-	8,741	-	914	1,970	1,774	22,278
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>13,016</b>	<b>32,386</b>	<b>23,412</b>	<b>2,578</b>	<b>360</b>	<b>27,032</b>	<b>7,366</b>	<b>4,163</b>	<b>11,155</b>	<b>17,781</b>	<b>6,320</b>	<b>8,357</b>	<b>26,030</b>	<b>179,956</b>
<b>OTHER INCOME (EXPENSES):</b>														
Interest (Expense) - Affiliates	(4,485)	(10,862)	(10,984)	-	(354)	-	(2,921)	(3,025)	(14,432)	(13,187)	(14,646)	(11,601)	(23,193)	(109,690)
Interest (Expense) - External	-	(67)	(121)	(135)	-	(7,912)	(341)	(83)	-	(31)	(192)	(624)	(72)	(9,578)
Invest. Alt. Tax & Related Income (Exp.)-Net	(432)	(967)	(959)	(161)	(56)	(626)	(234)	(250)	(206)	(358)	(274)	(295)	(560)	(5,378)
Nonoperating Income (Expense) - Net	109	5,026	101	(2,547)	22	136	222	166	212	(877)	169	464	283	3,486
Total Other Income (Expenses)	(4,808)	(6,870)	(11,963)	(2,843)	(388)	(8,402)	(3,274)	(3,192)	(14,426)	(14,453)	(14,943)	(12,056)	(23,542)	(121,160)
<b>Income(Loss) Before Taxes&amp;Extraordinary Items</b>	<b>8,208</b>	<b>25,516</b>	<b>11,449</b>	<b>(265)</b>	<b>(28)</b>	<b>18,630</b>	<b>4,092</b>	<b>971</b>	<b>(3,271)</b>	<b>3,328</b>	<b>(8,623)</b>	<b>(3,699)</b>	<b>2,488</b>	<b>58,796</b>
Provision (Credit) for Income Taxes	3,426	8,585	4,677	-	-	665	1,337	478	-	2,066	-	-	-	21,234
Income (Loss) Before Extraordinary Items	4,782	16,931	6,772	(265)	(28)	17,965	2,755	493	(3,271)	1,262	(8,623)	(3,699)	2,488	37,562
Extraordinary Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Net of Income Taxes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCOME (LOSS)</b>	<b>\$ 4,782</b>	<b>\$ 16,931</b>	<b>\$ 6,772</b>	<b>\$ (265)</b>	<b>\$ (28)</b>	<b>\$ 17,965</b>	<b>\$ 2,755</b>	<b>\$ 493</b>	<b>\$ (3,271)</b>	<b>\$ 1,262</b>	<b>\$ (8,623)</b>	<b>\$ (3,699)</b>	<b>\$ 2,488</b>	<b>\$ 37,562</b>

Certain totals may not foot due to rounding by the casino.

**ATLANTIC CITY CASINO INDUSTRY  
STATEMENTS OF INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2002  
(\$ in Thousands)**

	AC Hilton	Bally's Park Place	Caesars	Claridge (PPE)	Harrah's	Resorts	Sands	Showboat	Tropicana	Trump Marina	Trump Plaza	Trump Taj Mahal	Industry
<b>REVENUE:</b>													
Casino	\$ 150,307	\$ 259,881	\$ 256,841	\$ 76,739	\$ 204,666	\$ 130,493	\$ 107,524	\$ 175,261	\$ 196,066	\$ 137,552	\$ 165,884	\$ 262,378	\$ 2,123,592
Rooms	12,172	19,157	17,631	5,656	14,945	6,583	5,795	8,174	23,610	8,890	12,299	16,863	151,775
Food and Beverage	20,280	37,033	35,938	9,262	23,752	12,128	12,217	23,114	26,018	15,191	18,249	27,484	260,666
Other	4,980	5,413	13,309	1,632	3,069	3,493	1,978	3,278	6,897	4,227	3,829	9,571	61,676
Total Revenue	187,739	321,484	323,719	93,289	246,432	152,697	127,514	209,827	252,591	165,860	200,261	316,296	2,597,709
Less: Promotional Allowances	43,572	57,520	69,020	20,457	45,300	24,859	24,688	45,431	29,739	32,962	39,810	58,230	491,588
<b>NET REVENUE</b>	<b>144,167</b>	<b>263,964</b>	<b>254,699</b>	<b>72,832</b>	<b>201,132</b>	<b>127,838</b>	<b>102,826</b>	<b>164,396</b>	<b>222,852</b>	<b>132,898</b>	<b>160,451</b>	<b>258,066</b>	<b>2,106,121</b>
<b>COSTS AND EXPENSES:</b>													
Cost of Goods and Services	90,103	145,770	136,653	53,883	98,067	73,294	68,784	90,933	118,261	75,793	89,925	142,190	1,183,656
Selling, General, and Administrative	21,411	28,220	32,807	11,890	19,620	35,096	18,114	18,622	45,473	22,157	29,303	40,937	323,650
Provision for Doubtful Accounts	854	1,290	2,483	238	205	739	911	563	1,150	1,117	1,668	1,418	12,636
Total Costs & Expenses	112,368	175,280	171,943	66,011	117,892	109,129	87,809	110,118	164,884	99,067	120,896	184,545	1,519,942
<b>GROSS OPERATING PROFIT</b>	<b>31,799</b>	<b>88,684</b>	<b>82,756</b>	<b>6,821</b>	<b>83,240</b>	<b>18,709</b>	<b>15,017</b>	<b>54,278</b>	<b>57,968</b>	<b>33,831</b>	<b>39,555</b>	<b>73,521</b>	<b>586,179</b>
Depreciation and Amortization	10,669	17,647	19,274	1,569	12,527	4,536	6,263	13,696	13,663	10,199	8,501	18,302	136,846
Charges from Affiliates Other than Interest:													
Management Fees	4,951	8,826	8,444	2,463	-	-	-	-	17,591	1,596	-	-	43,871
Other	-	-	3,143	-	5,748	-	-	8,290	-	1,887	2,910	3,242	25,220
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>16,179</b>	<b>62,211</b>	<b>51,895</b>	<b>2,789</b>	<b>64,965</b>	<b>14,173</b>	<b>8,754</b>	<b>32,292</b>	<b>26,714</b>	<b>20,149</b>	<b>28,144</b>	<b>51,977</b>	<b>380,242</b>
<b>OTHER INCOME (EXPENSES):</b>													
Interest (Expense) - Affiliates	(8,934)	(22,353)	(21,848)	(2,125)	-	(7,604)	(5,518)	(28,909)	(26,851)	(30,769)	(24,320)	(47,003)	(226,234)
Interest (Expense) - External	-	(128)	(200)	(7)	(25,998)	(53)	(164)	-	1,031	(680)	(626)	(408)	(27,233)
Invest. Alt. Tax & Related Income (Exp.)-Net	(1,024)	(3,011)	(1,102)	(511)	(1,701)	851	(602)	(1,828)	2,421	(528)	(805)	(1,441)	(9,281)
Nonoperating Income (Expense) - Net	198	4,204	190	111	378	797	(991)	307	(3,098)	(961)	169	156	1,460
Total Other Income (Expenses)	(9,760)	(21,288)	(22,960)	(2,532)	(27,321)	(6,009)	(7,275)	(30,430)	(26,497)	(32,938)	(25,582)	(48,696)	(261,288)
<b>Income(Loss) Before Taxes&amp;Extraordinary Items</b>	<b>6,419</b>	<b>40,923</b>	<b>28,935</b>	<b>257</b>	<b>37,644</b>	<b>8,164</b>	<b>1,479</b>	<b>1,862</b>	<b>217</b>	<b>(12,789)</b>	<b>2,562</b>	<b>3,281</b>	<b>118,954</b>
Provision (Credit) for Income Taxes	2,625	15,320	11,816	107	1,423	3,225	632	-	163	-	2	-	35,313
Income (Loss) Before Extraordinary Items	3,794	25,603	17,119	150	36,221	4,939	847	1,862	54	(12,789)	2,560	3,281	83,641
Extraordinary Items	-	-	-	-	-	(2,196)	-	-	-	-	-	-	(2,196)
(Net of Income Taxes)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCOME (LOSS)</b>	<b>\$ 3,794</b>	<b>\$ 25,603</b>	<b>\$ 17,119</b>	<b>\$ 150</b>	<b>\$ 36,221</b>	<b>\$ 2,743</b>	<b>\$ 847</b>	<b>\$ 1,862</b>	<b>\$ 54</b>	<b>\$ (12,789)</b>	<b>\$ 2,560</b>	<b>\$ 3,281</b>	<b>\$ 81,445</b>

Certain totals may not foot due to rounding by the casino.

**ATLANTIC CITY CASINO INDUSTRY  
STATEMENTS OF INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2001  
(\$ in Thousands)**

	AC Hilton	Bally's Park Place	Caesars	Claridge (CHCC)	Claridge (PPE)	Harrah's	Resorts	Sands	Showboat	Tropicana	Trump Marina	Trump Plaza	Trump Taj Mahal	Industry
<b>REVENUE:</b>														
Casino	\$ 159,960	\$ 254,150	\$ 223,925	\$ 66,891	\$ 12,773	\$ 195,057	\$ 116,725	\$ 115,165	\$ 167,497	\$ 197,715	\$ 126,530	\$ 161,070	\$ 251,901	\$ 2,049,359
Rooms	11,640	18,084	19,737	4,103	1,077	13,383	6,656	5,601	7,041	22,171	8,522	11,843	16,404	146,262
Food and Beverage	20,136	36,621	31,315	7,525	1,461	22,504	11,760	14,564	19,694	24,241	14,817	20,040	26,882	251,560
Other	5,056	6,005	12,808	898	150	4,259	2,832	2,306	3,085	6,098	4,436	3,821	7,976	59,730
Total Revenue	196,792	314,860	287,785	79,417	15,461	235,203	137,973	137,636	197,317	250,225	154,305	196,774	303,163	2,506,911
Less: Promotional Allowances	49,631	58,857	59,334	8,794	3,400	43,070	20,017	32,147	41,517	28,548	34,166	42,264	56,052	477,797
<b>NET REVENUE</b>	<b>147,161</b>	<b>256,003</b>	<b>228,451</b>	<b>70,623</b>	<b>12,061</b>	<b>192,133</b>	<b>117,956</b>	<b>105,489</b>	<b>155,800</b>	<b>221,677</b>	<b>120,139</b>	<b>154,510</b>	<b>247,111</b>	<b>2,029,114</b>
<b>COSTS AND EXPENSES:</b>														
Cost of Goods and Services	90,892	145,649	127,532	43,055	8,819	97,811	72,457	74,695	92,169	118,445	76,890	93,644	143,305	1,185,363
Selling, General, and Administrative	22,005	28,386	28,155	21,371	2,188	18,949	30,739	21,492	17,660	46,501	20,737	30,842	41,570	330,595
Provision for Doubtful Accounts	930	1,459	1,770	188	41	-	659	1,578	442	1,395	627	1,787	1,547	12,423
Total Costs & Expenses	113,827	175,494	157,457	64,614	11,048	116,760	103,855	97,765	110,271	166,341	98,254	126,273	186,422	1,528,381
<b>GROSS OPERATING PROFIT</b>	<b>33,334</b>	<b>80,509</b>	<b>70,994</b>	<b>6,009</b>	<b>1,013</b>	<b>75,373</b>	<b>14,101</b>	<b>7,724</b>	<b>45,529</b>	<b>55,336</b>	<b>21,885</b>	<b>28,237</b>	<b>60,689</b>	<b>500,733</b>
Depreciation and Amortization	11,337	17,516	17,636	657	236	12,128	6,457	5,242	11,901	12,476	8,475	8,297	16,872	129,230
Charges from Affiliates Other than Interest:														
Management Fees	5,225	8,435	7,555	-	417	-	-	-	-	16,800	913	-	-	39,345
Other	-	-	3,067	93	-	14,792	-	-	17,336	-	1,828	3,648	3,529	44,293
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>16,772</b>	<b>54,558</b>	<b>42,736</b>	<b>5,259</b>	<b>360</b>	<b>48,453</b>	<b>7,644</b>	<b>2,482</b>	<b>16,292</b>	<b>26,060</b>	<b>10,669</b>	<b>16,292</b>	<b>40,288</b>	<b>287,865</b>
<b>OTHER INCOME (EXPENSES):</b>														
Interest (Expense) - Affiliates	(8,981)	(21,445)	(21,848)	-	(354)	-	(7,441)	(6,050)	(28,864)	(26,375)	(29,093)	(23,214)	(46,406)	(220,071)
Interest (Expense) - External	-	(137)	(255)	(135)	-	(17,076)	(1,770)	(188)	-	(65)	(370)	(826)	(121)	(20,943)
Invest. Alt. Tax & Related Income (Exp.)-Net	(830)	(1,942)	(1,338)	(334)	(56)	(1,288)	(460)	(574)	(383)	(688)	(825)	(926)	(1,167)	(10,811)
Nonoperating Income (Expense) - Net	66	4,682	218	(6,269)	22	22	609	360	405	(1,709)	402	589	525	(78)
Total Other Income (Expenses)	(9,745)	(18,842)	(23,223)	(6,738)	(388)	(18,342)	(9,062)	(6,452)	(28,842)	(28,837)	(29,886)	(24,377)	(47,169)	(251,903)
<b>Income(Loss) Before Taxes&amp;Extraordinary Items</b>	<b>7,027</b>	<b>35,716</b>	<b>19,513</b>	<b>(1,479)</b>	<b>(28)</b>	<b>30,111</b>	<b>(1,418)</b>	<b>(3,970)</b>	<b>(12,550)</b>	<b>(2,777)</b>	<b>(19,217)</b>	<b>(8,085)</b>	<b>(6,881)</b>	<b>35,962</b>
Provision (Credit) for Income Taxes	2,944	13,144	7,971	-	-	1,673	1,337	(1,113)	-	(1,681)	-	2	-	24,277
Income (Loss) Before Extraordinary Items	4,083	22,572	11,542	(1,479)	(28)	28,438	(2,755)	(2,857)	(12,550)	(1,096)	(19,217)	(8,087)	(6,881)	11,685
Extraordinary Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Net of Income Taxes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCOME (LOSS)</b>	<b>\$ 4,083</b>	<b>\$ 22,572</b>	<b>\$ 11,542</b>	<b>\$ (1,479)</b>	<b>\$ (28)</b>	<b>\$ 28,438</b>	<b>\$ (2,755)</b>	<b>\$ (2,857)</b>	<b>\$ (12,550)</b>	<b>\$ (1,096)</b>	<b>\$ (19,217)</b>	<b>\$ (8,087)</b>	<b>\$ (6,881)</b>	<b>\$ 11,685</b>

Certain totals may not foot due to rounding by the casino.

**ATLANTIC CITY CASINO INDUSTRY  
HOTEL STATISTICS  
FOR THE THREE MONTHS ENDED JUNE 30, 2002**

<b>CASINO</b>	<b>NUMBER OF GUEST ROOMS IN PROPERTY*</b>	<b>NUMBER OF AVAILABLE ROOM NIGHTS</b>	<b>NUMBER OF OCCUPIED ROOM NIGHTS</b>	<b>OCCUPANCY RATE</b>	<b>AVERAGE RATE PER OCCUPIED ROOM</b>
AC Hilton	804	73,164	71,228	97.4%	\$92.87
Bally's Park Place	1,246	113,386	110,922	97.8%	93.24
Caesars	1,140	100,950	99,215	98.3%	91.31
Claridge (PPE)	507	45,682	42,705	93.5%	70.24
Harrah's	1,630	133,716	130,239	97.4%	65.56
Resorts	645	57,179	52,392	91.6%	65.06
Sands	626	56,966	49,636	87.1%	61.59
Showboat	765	69,615	69,053	99.2%	61.34
Tropicana	1,625	147,829	138,174	93.5%	90.79
Trump Marina	728	66,248	59,852	90.3%	78.38
Trump Plaza	904	82,264	77,327	94.0%	84.07
Trump Taj Mahal	1,250	113,750	108,431	95.3%	82.50
<b>INDUSTRY TOTAL</b>	<b>11,870</b>	<b>1,060,749</b>	<b>1,009,174</b>		
<b>INDUSTRY AVERAGE</b>				<b>95.1%</b>	<b>\$80.20</b>

\* Number of guest rooms at end of quarter



**ATLANTIC CITY CASINO INDUSTRY  
HOTEL STATISTICS  
FOR THE SIX MONTHS ENDED JUNE 30, 2002**

CASINO	NUMBER OF GUEST ROOMS IN PROPERTY*	NUMBER OF AVAILABLE ROOM NIGHTS	NUMBER OF OCCUPIED ROOM NIGHTS	OCCUPANCY RATE	AVERAGE RATE PER OCCUPIED ROOM
AC Hilton	804	145,524	140,594	96.6%	\$85.92
Bally's Park Place	1,246	225,526	220,254	97.7%	86.64
Caesars	1,140	201,313	197,710	98.2%	88.77
Claridge (PPE)	507	90,778	83,210	91.7%	67.98
Harrah's	1,630	236,874	230,323	97.2%	64.76
Resorts	645	112,896	101,677	90.1%	64.74
Sands	626	111,429	99,366	89.2%	58.55
Showboat	765	138,465	135,127	97.6%	60.49
Tropicana	1,625	293,989	275,346	93.7%	85.75
Trump Marina	728	131,768	114,606	87.0%	77.57
Trump Plaza	904	163,624	151,836	92.8%	81.00
Trump Taj Mahal	1,250	226,250	214,589	94.8%	78.58
<b>INDUSTRY TOTAL</b>	<b>11,870</b>	<b>2,078,436</b>	<b>1,964,638</b>		
<b>INDUSTRY AVERAGE</b>				<b>94.5%</b>	<b>\$77.12</b>

\* Number of guest rooms at end of quarter

**ATLANTIC CITY CASINO INDUSTRY  
PROMOTIONAL ALLOWANCES AND EXPENSES  
FOR THE QUARTER AND YEAR-TO-DATE ENDED JUNE 30, 2002  
(\$ in Thousands)**

	QUARTER			YEAR-TO-DATE		
	<u>Allowances</u>	<u>Expenses</u>	<u>Total</u>	<u>Allowances</u>	<u>Expenses</u>	<u>Total</u>
AC Hilton	\$ 22,514	\$ 2,563	\$ 25,077	\$ 43,572	\$ 5,242	\$ 48,814
Bally's Park Place	28,717	3,898	32,615	57,520	7,774	65,294
Caesars	35,760	5,236	40,996	69,020	9,001	78,021
Claridge (PPE)	10,768	1,424	12,192	20,457	2,614	23,071
Harrah's Marina	24,998	2,701	27,699	45,300	5,018	50,318
Resorts	12,747	5,921	18,668	24,859	11,257	36,116
Sands	12,123	1,706	13,829	24,688	3,504	28,192
Showboat	24,299	700	24,999	45,431	1,492	46,923
Tropicana	14,718	10,039	24,757	29,739	19,754	49,493
Trump Marina	16,690	1,914	18,604	32,962	3,713	36,675
Trump Plaza	19,911	3,927	23,838	39,810	7,164	46,974
Trump Taj Mahal	29,257	6,063	35,320	58,230	12,805	71,035
Industry	<u>\$ 252,502</u>	<u>\$ 46,092</u>	<u>\$ 298,594</u>	<u>\$ 491,588</u>	<u>\$ 89,338</u>	<u>\$ 580,926</u>

Due to changes to the accounting treatment for cash complimentaries effective with the first quarter 2002 filings, promotional expenses and promotional allowances are not comparable to 2001 figures.

## Amendments

Licensee	Form	Quarter
Harrahs	CCC-245	March 31, 2002
Sands	CCC-205	December 31, 2001
Sands	CCC-205	March 31, 2002
Sands	CCC-210	March 31, 2002
Sands	CCC-245	December 31, 2001
Sands	CCC-245	March 31, 2002
Showboat	CCC-205	December 31, 2001
Showboat	CCC-210	December 31, 2001
Showboat	CCC-235	March 31, 2001
Showboat	CCC-245	March 31, 2001
Showboat	Footnotes	December 31, 2001

8/15/02

TRADING NAME OF LICENSEE HARRAH'S CASINO HOTEL, ATLANTIC CITY

# **SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED MARCH 31, 2002

REVISED 7/30/02

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	57,210	\$ 4,983	-	\$ -
2	Food	458,500	4,585	-	-
3	Beverage	969,200	2,423	-	-
4	Travel	-	-	11,515	1,140
5	Bus Program Cash	-	-	-	-
6	Other Cash Complimentaries	643,520	8,044	64,880	811
7	Entertainment	-	-	-	-
8	Retail & Non-Cash Gifts	53,400	267	73,200	366
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	2,181,830	\$ 20,302	149,595	\$ 2,317

FOR THE THREE MONTHS ENDED MARCH 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	57,210	\$ 4,983	-	\$ -
2	Food	458,500	4,585	-	-
3	Beverage	969,200	2,423	-	-
4	Travel	-	-	11,515	1,140
5	Bus Program Cash	-	-	-	-
6	Other Cash Complimentaries	643,520	8,044	64,880	811
7	Entertainment	-	-	-	-
8	Retail & Non-Cash Gifts	53,400	267	73,200	366
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	2,181,830	\$ 20,302	149,595	\$ 2,317

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

**BALANCE SHEETS**

Amended

7/9/02

AS OF DECEMBER 30, 2001 AND 2000

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents..... Note 3.....	\$ 19,507	\$ 17,758
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2001, \$14,406; 2000, \$11,408).....	8,948	10,972
4	Inventories..... Note 3.....	2,431	2,851
5	Prepaid Expenses and Other Current Assets..... Note 14.....	3,024	3,866 *
6	Total Current Assets.....	33,910	35,447 *
7	Investments, Advances, and Receivables..... Note 7.....	9,302	7,918
8	Property and Equipment - Gross..... Note 3, 15.....	184,028	161,166 *
9	Less: Accumulated Depreciation and Amortization..... Note 3, 15.....	(13,016)	(2,706)
10	Property and Equipment - Net.....	171,012	158,460 *
11	Other Assets.....	3,871	2,277 *
12	Total Assets.....	\$ 218,095	\$ 204,102
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 6,843	\$ 9,822
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other..... Note 4.....	19	467
17	Income Taxes Payable and Accrued..... Note 5.....	-	-
18	Other Accrued Expenses..... Note 16.....	14,340	16,543
19	Other Current Liabilities.....	3,818	4,283
20	Total Current Liabilities..... Note 17.....	25,020	31,115
	Long-Term Debt:		
21	Due to Affiliates..... Note 4, 13.....	110,000	110,000
22	Other..... Note 4.....	352	371
23	Deferred Credits.....	-	-
24	Other Liabilities ..... Note 18.....	3,839	4,258
25	Commitments and Contingencies		
26	Total Liabilities.....	139,211	145,744
27	Stockholders', Partners', Or Proprietor's Equity.....	78,884	58,358
28	Total Liabilities and Equity.....	\$ 218,095	\$ 204,102

The accompanying notes are an integral part of the financial statements.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

BALANCE SHEETS

Amended

AS OF MARCH 31, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 20,602	\$ 17,259
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2002, \$12,830; 2001, \$11,112).....	8,744	9,562
4	Inventories.....	2,403	2,722
5	Prepaid Expenses and Other Current Assets.....	1,975	4,987
6	Total Current Assets.....	33,724	34,530
7	Investments, Advances, and Receivables.....	9,671	8,185
8	Property and Equipment - Gross..... Note 6.....	185,863	164,986 *
9	Less: Accumulated Depreciation and Amortization..... Note 6.....	(15,656)	(5,286)
10	Property and Equipment - Net..... Note 6.....	170,207	159,700 *
11	Other Assets.....	3,665	2,238 *
12	Total Assets.....	\$ 217,267	\$ 204,653
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 5,808	\$ 7,305
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates..... Note 2.....	-	-
16	Other..... Note 2.....	20	451
17	Income Taxes Payable and Accrued..... Note 3.....	1,260	-
18	Other Accrued Expenses.....	11,536	13,715
19	Other Current Liabilities.....	3,540	4,149
20	Total Current Liabilities.....	22,164	25,620
	Long-Term Debt:		
21	Due to Affiliates..... Note 2.....	110,000	110,000
22	Other..... Note 2.....	347	366
23	Deferred Credits.....	-	-
24	Other Liabilities.....	3,724	4,158
25	Commitments and Contingencies		
26	Total Liabilities.....	136,235	140,144
27	Stockholders', Partners', Or Proprietor's Equity.....	81,032	64,509
28	Total Liabilities and Equity.....	\$ 217,267	\$ 204,653

The accompanying notes are an integral part of the financial statements.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO  
STATEMENTS OF INCOME

Amended

8/16/02

FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	Revenue:		
1	Casino.....	\$ 55,670	\$ 53,666
2	Rooms.....	2,746	2,554
3	Food and Beverage.....	6,465	6,741
4	Other.....	928	905
5	Total Revenue.....	65,809	63,866
6	Less: Promotional Allowances..... Note 7.....	12,565	15,265 *
7	Net Revenue.....	53,244	48,601 *
	Costs and Expenses:		
8	Cost of Goods and Services.....	35,162	36,459
9	Selling, General, and Administrative..... Note 7.....	8,515	10,575 *
10	Provision for Doubtful Accounts.....	315	608
11	Total Costs and Expenses.....	43,992	47,642 *
12	Gross Operating Profit.....	9,252	959
13	Depreciation and Amortization.....	2,916	2,640
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	6,336	(1,681)
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates .....	(2,646)	(3,025)
18	Interest (Expense) - External.....	(84)	(104)
19	Investment Alternative Tax and Related Income (Expense) - Net....	(327)	(324)
20	Nonoperating Income (Expense) - Net.....	129	194
21	Total Other Income (Expenses).....	(2,928)	(3,259)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	3,408	(4,940)
23	Provision (Credit) for Income Taxes..... Note 3.....	1,260	(1,591)
24	Income (Loss) Before Extraordinary Items.....	2,148	(3,349)
	Extraordinary Items (Net of Income Taxes -		
25	2002, \$ - ; 2001, \$ - ).....	-	-
26	Net Income (Loss).....	\$ 2,148	\$ (3,349)

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL AND CASINO  
**SCHEDULE OF PROMOTIONAL  
EXPENSES AND ALLOWANCES**

Amended

7/9/02

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001

AMENDED

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	281,401	\$ 7,173		\$
2	Food	742,033	11,807		
3	Beverage	3,443,780	5,784		
4	Travel			5,339	2,583
5	Bus Program Cash			758,336	11,381
6	Other Cash Complimentaries			262,810	24,682
7	Entertainment	33,796	747		
8	Retail & Non-Cash Gifts			720,376	4,634
9	Parking			424,956	637
10	Other	88,326	707	192	957
11	Total	4,589,336	\$ 26,218	2,172,009	\$ 44,874

FOR THE THREE MONTHS ENDED DECEMBER 31, 2001

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	62,211	\$ 1,689		\$
2	Food	158,546	2,605		
3	Beverage	724,255	1,418		
4	Travel			1,080	568
5	Bus Program Cash			158,446	2,180
6	Other Cash Complimentaries			47,337	4,651
7	Entertainment	7,989	165		
8	Retail & Non-Cash Gifts			151,854	614
9	Parking			126,152	189
10	Other	17,811	143	76	600 *
11	Total	970,812	\$ 6,020	484,945	\$ 8,802

\* Other Promotional Expenses include Slot Tournament Prizes of \$600,000 for The Three Months Ended December 31, 2001.



TRADING NAME OF LICENSEE: SANDS HOTEL AND CASINO  
**SCHEDULE OF PROMOTIONAL  
EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED MARCH 31, 2002

Amended

8/16/02

AMENDED

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	79,916	\$ 1,634		\$
2	Food	154,661	2,352		
3	Beverage	885,417	1,327		
4	Travel			507	316
5	Bus Program Cash	142,288	2,175		
6	Other Cash Complimentaries	63,634	4,942		
7	Entertainment	1,443	50		
8	Retail & Non-Cash Gifts			244,305	1,323
9	Parking			106,379	159
10	Other	10,599	85		
11	Total	1,337,958	\$ 12,565	351,191	\$ 1,798

FOR THE THREE MONTHS ENDED MARCH 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	79,916	\$ 1,634		\$
2	Food	154,661	2,352		
3	Beverage	885,417	1,327		
4	Travel			507	316
5	Bus Program Cash	142,288	2,175		
6	Other Cash Complimentaries	63,634	4,942		
7	Entertainment	1,443	50		
8	Retail & Non-Cash Gifts			244,305	1,323
9	Parking			106,379	159
10	Other	10,599	85		
11	Total	1,337,958	\$ 12,565	351,191	\$ 1,798

7/18/02

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

**BALANCE SHEETS**

AS OF DECEMBER 31, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	32,630	\$ 22,104
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2001, \$1,085 ; 2000, \$1,115 ).....NOTE 3	4,960	5,575
4	Inventories.....	2,360	2,130
5	Prepaid Expenses and Other Current Assets.....NOTE 4	1,740	3,186
6	Total Current Assets.....	41,690	32,995
7	Investments, Advances, and Receivables.....NOTE 5 & 14	943,702	822,080
8	Property and Equipment - Gross.....	530,824	501,203
9	Less: Accumulated Depreciation and Amortization.....	(258,532)	(242,575)
10	Property and Equipment - Net.....	272,292	258,628
11	Other Assets.....	2,295	2,625
12	Total Assets.....	\$ 1,259,979	\$ 1,116,328
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	10,031	4,246
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	186	-
17	Income Taxes Payable and Accrued.....	-	-
18	Other Accrued Expenses.....NOTE 6	35,310	35,957
19	Other Current Liabilities.....	867	731
20	Total Current Liabilities.....	46,394	40,934
	Long-Term Debt:		
21	Due to Affiliates.....NOTE 8	715,000	715,000
22	Other.....NOTE 9	760	-
23	Deferred Credits.....NOTE 10	21,196	22,095
24	Other Liabilities.....NOTE 7	429,185	272,920
25	Commitments and Contingencies.....NOTE 15		
26	Total Liabilities.....	1,212,535	1,050,949
27	Stockholders', Partners', or Proprietor's Equity.....	47,444	65,379
28	Total Liabilities and Equity.....	\$ 1,259,979	\$ 1,116,328

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2001 (c)	2000 (d)
	Revenue:		
1	Casino.....	\$ 347,126	\$ 342,892
2	Rooms.....	15,618	18,261
3	Food and Beverage.....	43,471	39,520
4	Other.....	6,578	6,272
5	Total Revenue.....	412,793	406,945
6	Less: Promotional Allowances.....	44,259	41,118
7	Net Revenue.....	368,534	365,827
	Costs and Expenses:		
8	Cost of Goods and Services.....	184,126	186,896
9	Selling, General, and Administrative.....	87,514	82,091
10	Provision for Doubtful Accounts.....	1,451	659
11	Total Costs and Expenses.....	273,091	269,646
12	Gross Operating Profit.....	95,443	96,181
13	Depreciation and Amortization.....	24,109	22,954
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....NOTE 2,9 & 11	43,152	30,964
16	Income (Loss) from Operations.....	28,182	42,263
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....NOTE 8	(57,748)	(56,200)
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(953)	(778)
20	Nonoperating Income (Expense) - Net.....NOTE 12	527	1,041
21	Total Other Income (Expenses).....	(58,174)	(55,937)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(29,992)	(13,674)
23	Provision (Credit) for Income Taxes.....NOTE 10	(12,057)	(4,324)
24	Income (Loss) Before Extraordinary Items.....	(17,935)	(9,350)
	Extraordinary Items (Net of Income Taxes -		
25	2001, \$ ; 2000, \$ ).....	-	-
26	Net Income (Loss).....	\$ (17,935)	\$ (9,350)

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

7/18/02

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

**STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 7,298	\$ 7,768
	<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
2	Purchase of Short-Term Investment Securities.....		
3	Proceeds from the Sale of Short-Term Investment Securities.....		
4	Cash Outflows for Property and Equipment.....	(9,551)	(6,254)
5	Proceeds from Disposal of Property and Equipment.....	-	133
6	Purchase of Casino Reinvestment Obligations.....	(1,042)	(910)
7	Purchase of Other Investments and Loans/Advances made.....		
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....		
9	Cash Outflows to Acquire Business Entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(10,593)	(7,031)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
13	Cash Proceeds from Issuance of Short-Term Debt.....		
14	Payments to Settle Short-Term Debt.....		
15	Cash Proceeds from Issuance of Long-Term Debt.....		
16	Costs of Issuing Debt.....		
17	Payments to Settle Long-Term Debt.....		
18	Cash Proceeds from Issuing Stock or Capital Contributions.....		
19	Purchases of Treasury Stock.....		
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	-	-
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(3,295)	737
25	Cash and Cash Equivalents at Beginning of Period.....	32,630	22,104
26	Cash and Cash Equivalents at End of Period.....	\$ 29,335	\$ 22,841

	<b>CASH PAID DURING PERIOD FOR:</b>		
27	Interest (Net of Amount Capitalized).....	\$ -	\$ -
28	Income Taxes.....	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

**STATEMENTS OF CASH FLOWS**

FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001

(UNAUDITED)  
(\$ IN THOUSANDS)Amended  
7/18/02

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ (9,060)	\$ (9,279)
	Noncash Items Included in Income and Cash Items		
	Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	7,299	5,876
31	Amortization of Other Assets.....	85	85
32	Amortization of Debt Discount or Premium.....		
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	-	22
36	(Gain) Loss on Casino Reinvestment Obligations.....	558	177
37	(Gain) Loss from Other Investment Activities.....		
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	1,190	(110)
39	Net (Increase) Decrease in Inventories.....	181	50
40	Net (Increase) Decrease in Other Current Assets.....	1,228	294
41	Net (Increase) Decrease in Other Assets.....	-	(172)
42	Net Increase (Decrease) in Accounts Payable.....	(2,141)	(216)
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	(2,664)	(5,586)
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	43,751	33,380
45	Net (Increase) Decrease in Invest., Advances, and Receivables.....	(33,129)	(16,753)
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 7,298	\$ 7,768

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 9,510	\$ 6,254
49	Less: Capital Lease Obligations Incurred.....	(41)	
50	Cash Outflows for Property and Equipment.....	\$ 9,551	\$ 6,254
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows to Acquire Business Entities.....	\$	\$
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$	\$
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$	\$

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

7/18/12

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT

# **SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED MARCH 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	32,755	\$ 3,347		
2	Food	450,180	5,402		
3	Beverage	1,626,680	2,235		
4	Travel			2,038	357
5	Bus Program Cash	194,367	2,654		
6	Other Cash Complimentaries	323,017	7,028	2,213	138
7	Entertainment	1,770	49		
8	Retail & Non-Cash Gifts				
9	Parking				
10	Other	47,596	417	3,964	297 *
11	Total	2,676,365	\$ 21,132	8,215	\$ 792

FOR THE THREE MONTHS ENDED MARCH 31, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	32,755	\$ 3,347		\$ -
2	Food	450,180	5,402		
3	Beverage	1,626,680	2,235		
4	Travel			2,038	357
5	Bus Program Cash	194,367	2,654		-
6	Other Cash Complimentaries	323,017	7,028	2,213	138
7	Entertainment	1,770	49		
8	Retail & Non-Cash Gifts				
9	Parking				
10	Other	47,596	417	3,964	297 *
11	Total	2,676,365	\$ 21,132	8,215	\$ 792

\*Included in the other Promotional Expenses is the cost of Cigarette and Cigar complimentaries in the amount of \$75,000.

\*No other individual complimentary service or item within the "Other" category exceeds 5% of that column's total.

7/18/02

**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**(1) Summary of Significant Accounting Policies**

**Nature of Operations**

Atlantic City Showboat, Inc. (the Company), is a wholly owned subsidiary of Ocean Showboat, Inc. (OSI), which is a wholly owned subsidiary of Showboat, Inc. (SBO). SBO is a wholly owned subsidiary Harrah's Operating Company, Inc. (HOC), which is a wholly owned subsidiary of Harrah's Entertainment, Inc. and Subsidiaries (HARRAH'S). OSI was incorporated in 1983 and is a holding company with its principal assets being investments in the Company. The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey (Atlantic City Showboat).

On June 1, 1998, HARRAH'S, a Delaware corporation, purchased SBO and its subsidiaries in an all cash transaction.

**Revenue Recognition**

Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Revenues from hotel and other services are recognized at the time the related services are performed.

**Promotional Allowances**

Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. The estimated costs of providing such complimentary services, which the Company classified as casino expenses through interdepartmental allocations, were as follows:

	<u>2001</u>	<u>2000</u>
Food and Beverage	\$24,961	\$24,478
Rooms	11,648	10,500
Other	<u>3,015</u>	<u>3,034</u>
	<u>\$39,624</u>	<u>\$38,012</u>

**Cash and Cash Equivalents**

The Company considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

**Inventories**

Inventories of provisions and supplies are valued at the lower of cost (determined on a first-in first-out basis) or market.

7/18/02

**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**Financial Instruments**

The carrying amount of cash equivalents, receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority (CRDA) bonds and deposits approximately indicate their fair value. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates.

**Property and Equipment**

Property and Equipment is carried at cost. Depreciation including amortization of capitalized leases is computed using the straight-line method. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Estimated useful lives for Property and Equipment are 5 to 15 years for Land Improvements, 10 to 40 years for buildings and 3 to 10 years for furniture and equipment.

**Income Taxes**

Under the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Until May 31, 1998 the Company was included in the consolidated federal income tax group of SBO and subsidiaries and was under a tax allocation agreement with SBO. Effective June 1, 1998 the Company is included in the consolidated federal income tax group of HARRAH'S. Accordingly, income taxes are allocated based on the agreement, which indicates the separate return method except that tax benefits available to the Company are recognized when generated by the Company to the extent utilized by the group, including carrybacks. The Company filed for and received a change in tax year-end with the Internal Revenue Service. The Company's tax-year end is December 31.

**Deferred Financing Cost**

Costs associated with the issuance of debt have been deferred and are being amortized over the life of the related indebtedness using the straight-line method that approximates the effective interest method.



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**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**Long-lived Assets**

The provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets" requires, among other things, that an entity review its long lived assets and certain related intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The assessment for potential impairment is based primarily on the Company's ability to recover the unamortized balance of its long-lived assets from expected future cash flows from its operations on an undiscounted basis. The Company is not aware of any events or changes in circumstances that indicate that the carrying amount of any asset may be impaired.

**Accounting Estimates**

The preparation of these financial statements in conformity with generally accepted accounting principals requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The Company provides an allowance for doubtful accounts arising from casino, hotel and other services, which is based upon a specific review of certain outstanding receivables and historical collection performance. In determining the amount of the allowance, the Company is required to make certain estimates and assumptions and actual results may differ from those assumptions.

**Recent Accounting Pronouncements**

In January 2001, the Emerging Issues Task Force ("EITF") reached a consensus on certain issues within Issue No. 00-22, "Accounting for "Points" and Certain other Time-Based or Volume-Based Incentive Offers and Offers for Free Products or Services to be Declared in the Future" ("EITF 00-22"). Application of EITF 00-22 is required for all interim and annual periods beginning after February 15, 2001. EITF 00-22 requires volume-based cash rebates to be classified as a reduction of revenue. Notwithstanding the above, the Company has not elected to adopt EITF 00-22 in the quarter ended December 31, 2001 as authorized by the Casino Control Commission for which these statements have been prepared. Had the company elected to adopt EITF 00-22 approximately \$855 and \$3,598 would have been reclassified from Selling General and Administrative Expenses to Promotional Allowances for the years ending December 31, 2001 and 2000, respectively.

In July 2001, the FASB issued Statement No. 141 "Business Combinations" ("SFAS 141") and Statement No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 is effective as follows: a) use of the pooling-of-interest method is prohibited for business combinations initiated after June 30, 2001; and b) the provisions of SFAS 141 also apply to all business combinations accounted for by the purchases method that are completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001 and applies to all goodwill and other intangible assets recognized in an entity's statement of financial position at that date, regardless of when those assets were initially recognized. The Company does not expect the provisions of SFAS 141 and SFAS 142 to have a material effect on the Company's financial position or results of operations.

7/18/02

**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**Recent Accounting Pronouncements (Cont.)**

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets". This standard addresses financial accounting and reporting for the impairment of disposal of long-lived assets. The standard is effective for fiscal years beginning after June 15, 2002. The Company's management does not expect the adoptions of SFAS No. 144 to have a material impact on the Company's financial results.

In November 2001, the EITF reached a consensus on Issue No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products)" ("EITF 01-09"). For a sales incentive offered voluntarily by a vendor to its patrons, EITF 01-09 requires the vendor to recognize the cost of the sales incentive at the later of the date at which the related revenue is recorded by the vendor, or the date at which the sales incentive is offered. Accordingly, at December 31, 2001, the Company has accrued for the expected cost of certain cash incentives offered to casino patrons based on their past levels of play.

Application of EITF 01-09 is required in annual or interim financial statements for periods beginning after December 15, 2001. Notwithstanding the above, the Company elected not to adopt EITF 01-09 in the quarter ended December 31, 2001 as authorized by the Casino Control Commission, for which these statements have been prepared. Had the Company elected to adopt EITF 01-09, approximately \$25,816 and \$16,061 would have been reclassified from Selling, General and Administrative Expenses to Promotional Allowances for the years ending December 31, 2001 and 2000, respectively.

**(2) Related Party Transactions**

In 1999 the Company entered into a new license agreement with SBO for the use of certain trademarks. Under the agreement the Company is required to pay a fixed license fee of \$18,478 per year through 2000. In 2001, the licensing agreement was renewed for an additional five-year period and the annual fee increased to \$20,746

In addition to the above license agreement, in 2001, the Company also entered into a five-year license agreement with Harrah's Las Vegas Inc. for the use of certain program and related trademarks. Under the agreement the Company is required to pay a fixed license fee of 6,221 per year.

The Company is charged a fee from HOC for administrative services (including executive, financial, information technology, legal, marketing, and tax planning and compliance). The Company was charged \$5,830 and \$2,798 for the twelve months ended December 31, 2001 and 2000, respectively.

As more fully disclosed in Note 5, the Company provides services for HARRAH'S and transfers cash in excess of its operating needs to HARRAH'S on a daily basis. As more fully disclosed in Note 7 services are provided by HARRAH'S and cash is transferred from HARRAH'S to the Company based upon the needs of the Company to fund daily operations. No interest is paid or (earned) on the amount shown as Due To (From) Affiliates in the accompanying statements.

As more fully disclosed in Note 8, the Company has Intercompany Promissory notes payable totaling \$715,000.

As more fully disclosed in Note 9, the Company leases land from a subsidiary of SBO.

7/18/02

**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**(3) Receivables**

As of December 31, 2001 and 2000, Receivables consisted of the following:

	<u>2001</u>	<u>2000</u>
Casino	\$4,030	\$4,214
Hotel	282	269
Due from CRDA	0	134
Other	<u>1,733</u>	<u>2,073</u>
	6,045	6,690
Less allowance for doubtful accounts	<u>1,085</u>	<u>1,115</u>
	<u>\$4,960</u>	<u>\$5,575</u>

**(4) Prepaid Expenses & Other Current Assets**

As of December 31, 2001 and 2000, Prepaid Expenses and Other Current Assets consisted of the following:

	<u>2001</u>	<u>2000</u>
Prepaid Slot License	\$841	\$892
Prepaid Insurance	84	56
Deposits	210	200
State Income Tax Benefit	0	1,287
Other	<u>605</u>	<u>751</u>
	<u>\$1,740</u>	<u>\$3,186</u>

**(5) Investments, Advances & Receivables**

As of December 31, 2001 and 2000, Investments, Advances and Receivables consisted of the following:

	<u>2001</u>	<u>2000</u>
CRDA Deposits (Note 14)	\$16,939	\$13,194
CRDA Bonds (Note 14)	<u>8,504</u>	<u>7,384</u>
	<u>25,443</u>	<u>20,578</u>
Less: Valuation Allowance on CRDA		
Investments	<u>(6,496)</u>	<u>(5,569)</u>
CRDA Investments, Net	18,947	15,009
Due From Affiliates	<u>924,755</u>	<u>807,206</u>
	<u>\$943,702</u>	<u>\$822,215</u>

7/18/02

**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**(5) Investments, Advances & Receivables (Cont.)**

As of December 31, 2001 and 2000, Due From Affiliates consisted of the following:

	<u>2001</u>	<u>2000</u>
HARRAH'S	\$922,524	\$804,131
Showboat Operating Company	11	11
Harrah's Atlantic City	1,843	2,918
Showboat Indiana	14	144
Harrah's New Orleans	2	2
Harrah's Lake Tahoe	22	0
Harrah's Joliet	17	0
Harrah's Ak-Chin	290	0
Harrah's North Kansas City	<u>32</u>	<u>0</u>
	<u>\$924,755</u>	<u>\$807,206</u>

**(6) Accrued Liabilities**

As of December 31, 2001 and 2000, Other Accrued Expenses consisted of the following:

	<u>2001</u>	<u>2000</u>
Salaries and Wages	\$5,859	\$5,975
Taxes, Other Than Taxes on Income	1,394	1,748
Accrued Advertising and Promotion	971	1,077
Accrued Interest	22,065	22,065
Warehouse Lease	0	147
Other	<u>5,021</u>	<u>4,945</u>
	<u>\$35,310</u>	<u>\$35,957</u>

**(7) Other Liabilities**

As of December 31, 2001 and 2000, Other Liabilities consisted of the following:

	<u>2001</u>	<u>2000</u>
Due to Affiliates, Long-Term	\$428,617	\$272,535
Other	<u>568</u>	<u>385</u>
	<u>\$429,185</u>	<u>\$272,920</u>

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**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**(7) Other Liabilities (Cont.)**

As of December 31, 2001 and 2000, Due To Affiliates consisted of the following:

	<u>2001</u>	<u>2000</u>
HARRAH'S	\$282,659	\$175,470
Showboat Inc.	135,999	95,011
Harrah's Las Vegas	6,433	218
Harrah's Laughlin	4	2
Harrah's Reno	14	15
Harrah's Tunica	10	0
Ocean Showboat	39	39
Harrah's Atlantic City	2,847	1,239
Showboat Operating Company	528	528
Rio Las Vegas	<u>84</u>	<u>13</u>
	<u>\$428,617</u>	<u>\$272,535</u>

**(8) Long Term Debt, Due to Affiliates**

As of December 31, 2001 and 2000 Long-Term Debt, Due to Affiliates consisted of the following:

	<u>2001</u>	<u>2000</u>
9 ¼ % Promissory Note - Due 2008	\$215,000	\$215,000
7 ½ % Promissory Note - Due 2009	500,000	500,000
Total Long Term Debt	<u>\$715,000</u>	<u>\$715,000</u>

On May 18, 1993, SBO issued \$275,000 of 9 1/4% First Mortgage Bonds due 2008 (9 ¼ % Bonds) and subsequently loaned approximately \$215,000 of the proceeds to the Company evidenced by an intercompany note with terms and conditions consistent with those of the 9 ¼% Bonds.

Subsequent to the purchase of SBO, HARRAH'S completed tender offers and consent solicitations for SBO's 9 ¼ Bonds. As a result of the receipt of the requisite consents, HARRAH'S eliminated or modified substantially all of the negative covenants, certain events of default and made other changes to the respective indentures governing the 9 ¼ Bonds. The Company's intercompany note with SBO remained unchanged.

On January 15, 1999 the HOC loaned the Company \$500,000 which loan is evidenced by an intercompany note. The loan is secured by the assets of the Company.

For value received, the Company promises to pay HOC the principal sum of \$500,000 on January 15, 2009 and to pay interest thereon at the rate of 7 ½ % per annum. Payments of interest shall be made semiannually on January 15 and July 15 of each year, commencing July 15, 1999, and shall be calculated on the basis of a 360-day year.

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**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**(9) Leases**

The Company leases a warehouse under a long-term lease agreement that is capitalized as a capital lease. The Company has the option to purchase the warehouse from January 1, 2006 through March 31, 2006 at an option price of approximately \$1,928.

The Company is leasing 10 1/2 acres of Boardwalk property in Atlantic City, New Jersey for a term of 99 years commencing October 1983. Annual rent payments, which are payable monthly, commenced upon opening of the Atlantic City Showboat. The rent is adjusted annually based upon changes in the Consumer Price Index. In April 2001, the annual rent increased \$293 to \$9,966. The Company is responsible for taxes, assessments, insurance and utilities. Rent expense under this lease for the years ended December 31, 2001 and 2000, was \$9,893 and \$9,588, respectively.

On January 28, 1998 a subsidiary of SBO acquired the 10 1/2 acres of Boardwalk property and the lease from SUN International, Inc. (SUN). The company's obligations under the lease remain intact and SBO's subsidiary will assume the duties as Lessor.

Leases (with initial or remaining terms in excess of one year) as of December 31, 2001:

	<u>Capital Lease</u>	<u>Operating Leases</u>
Year ending December 31,		
2001	\$258	\$1,425
2002	258	206
2003	258	13
2004	258	
2005	151	
Thereafter		
Total minimum lease payments	<u>1,183</u>	<u>\$1,645</u>
Less amount representing interest	<u>(237)</u>	
Present value of minimum lease payments	<u>\$ 946</u>	

Rent expense for all operating leases (except those with terms of a month or less that were not renewed) was \$3,787 and \$2,561 for the years ended December 31, 2001 and 2000 respectively.

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**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**(10) Income Taxes (Benefit)**

For the years ended December 31, 2001 and 2000, Income Tax Expense (Benefit) consisted of the following:

	<u>2001</u>	<u>2000</u>
Federal:		
Current	\$(8,641)	\$(1,949)
Deferred	<u>(2,927)</u>	<u>(2,035)</u>
	(11,569)	(3,984)
State :		
Current	0	0
Deferred	<u>(489)</u>	<u>(340)</u>
	(489)	(340)
Total		
Current	(8,641)	(1,949)
Deferred	<u>(3,416)</u>	<u>(2,375)</u>
	<u>\$(12,057)</u>	<u>\$(4,324)</u>

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of the net deferred tax liability relate to the following:

	<u>2001</u>	<u>2000</u>
Deferred tax assets:		
Casino Reinvestment Development Authority Obligation	\$(2,133)	\$(1,786)
Accrued Vacations	(1,541)	(934)
Allowance Doubtful Accounts	(443)	(456)
Grantor Trust	(3,404)	(3,987)
Other	<u>(256)</u>	<u>(434)</u>
Total Deferred Tax Assets	(7,777)	(7,597)
Deferred Tax Liabilities:		
Depreciation and Amortization	<u>28,973</u>	<u>29,692</u>
Net Deferred Tax Liability	<u>\$21,196</u>	<u>\$22,095</u>

**(11) STOCK PLANS**

HARRAH'S has various incentive plans under which restricted shares or stock options may be granted to key employees of the Company.

Compensation expense of \$461 and \$410 was recognized for the twelve months ended December 31, 2001 and 2000, respectively.

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**ATLANTIC CITY SHOWBOAT, INC.**  
**Notes to Financial Statements**  
**(Dollars In Thousands)**

**(12) Non-operating Income (Expense)**

For the years ended December 31, 2001 and 2000, Non-Operating Income (Expense) consisted of the following:

	<u>2001</u>	<u>2000</u>
Interest Income	\$790	\$851
Preopening Cost	(22)	0
Gain (Loss) on Disposal of Property & Equipment	<u>(241)</u>	<u>190</u>
	<u>\$527</u>	<u>\$1,041</u>

**(13) EMPLOYEE BENEFIT PLANS**

The Company maintains a retirement and savings plan for eligible employees who are not covered by a collective bargaining agreement. Under the terms of the plan adopted on July 1, 1999, eligible employees may defer up to 6% of their compensation, as defined, of which 100% of the deferral is matched by the Company. Eligible employees may contribute an additional 10% of their compensation, which will not be matched by the Company. Amounts contributed by the Company vest over a five-year period. The Company contributed \$2,248 and \$2,465 to this plan for the twelve months ended December 31, 2001 and 2000, respectively.

The Company's union employees are covered by a union-sponsored, collectively bargained, multi-employer pension plan. Contributions are generally determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. Contributions to the plans were \$787 and \$696 during the twelve months ended December 31, 2001 and 2000, respectively.

**(14) NEW JERSEY INVESTMENT OBLIGATION**

The New Jersey Casino Control Act (Act) provides, among other things, for an assessment on a gaming licensee equal to 1 1/4% of its gross casino revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. This assessment is satisfied by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be used to purchase bonds designated by the CRDA in exchange for credits against future obligations. CRDA bonds have terms up to 50 years and bear interest at below market rate.

Deposits with the CRDA bear interest at two-thirds of market rates resulting in a current value lower than cost. As more fully disclosed in Note 5, at December 31, 2001 and 2000, Investments, Advances, and Receivables include \$18,947 and \$15,009, respectively, representing the Company's bond purchases and deposits with the CRDA, net of the valuation allowance.



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**(14) NEW JERSEY INVESTMENT OBLIGATION (Cont.)**

The Company was eligible to receive approximately \$11,500 in funding credits reserved by the CRDA, as a result of the completion of the hotel expansion program at the Atlantic City Showboat, completed in 1994. In December 2001, the Company received the final distribution of the funding credits.

In December 1999 the CRDA approved a credit exchange agreement between the Company and Harrah's Atlantic City. (Harrah's) The CRDA approved an exchange of \$4,628 of Harrah's South Jersey Future Obligations for \$4,628 from the Company's Atlantic City Housing Current Obligations. The exchange was implemented by the immediate transfer of \$4,628 from the Company's Atlantic City Housing Obligations to Harrah's. In accordance with the exchange agreement, \$4,628 of Harrah's South Jersey Future Obligations shall be transferred back to the Company's South Jersey Current Obligations upon payment by Harrah's of such Obligations received by the CRDA on future Quarterly Payment Dates.

**(15) COMMITMENTS AND CONTINGENCIES**

**Litigation**

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management these matters will not have a material adverse effect on the Company's financial position.

**License Renewal**

During January 2001, the New Jersey Casino Control Commission (the "CCC") renewed the Company's license to operate its casino hotel complex in Atlantic City. A casino license is not transferable, and must be renewed every four years by filing an application which must be acted upon by the CCC no later than 30 days prior to the expiration of the license then in force.